



Boys and Girls Clubs of Bellevue

Financial Statements Years Ended December 31, 2022 and 2021

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



Boys and Girls Clubs of Bellevue

Financial Statements
Years Ended December 31, 2022 and 2021

Boys and Girls Clubs of Bellevue

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Independent Auditor's Report

To the Board of Directors
Boys and Girls Clubs of Bellevue
Bellevue, Washington

Opinion

We have audited the financial statements of the Boys and Girls Clubs of Bellevue (the Club), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Club as of December 31, 2022 and 2021, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Club and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Club's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Club's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

June 14, 2023
Seattle, Washington

Financial Statements

Boys and Girls Clubs of Bellevue

Statements of Financial Position

<i>December 31,</i>	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,878,689	\$ 4,438,023
Certificate of deposit	1,003,614	-
Accounts and grants receivable	701,267	153,587
Current operating promises to give	122,078	100,000
Current capital campaign promises to give	82,228	-
Prepaid facility use, current portion	-	101,078
Prepaid expenses and deposits	235,382	162,015
Total Current Assets	4,023,258	4,954,703
Cash held for capital campaign	11,789	11,216
Operating promises to give, net of current portion	-	147,078
Capital campaign promises to give, net of current portion	-	164,229
Prepaid facility use, long-term portion	-	2,752,724
Operating right-of-use assets	2,752,723	-
Finance lease right-of-use assets	45,463	-
Property and equipment, net	17,379,526	17,754,213
Total Assets	\$ 24,212,759	\$ 25,784,163
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 601,047	\$ 192,467
Deferred revenue	164,707	120,461
Finance lease liabilities, current portion	9,876	-
Long-term debt, current portion	3,781	729,282
Total Current Liabilities	779,411	1,042,210
Finance lease liabilities, net of current portion	35,939	-
Long-term debt, net of current portion	140,143	712,216
Total Liabilities	955,493	1,754,426
Net Assets		
Without donor restrictions	22,320,604	23,018,178
With donor restrictions	936,662	1,011,559
Total Net Assets	23,257,266	24,029,737
Total Liabilities and Net Assets	\$ 24,212,759	\$ 25,784,163

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statements of Activities

Year Ended December 31,	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Program service fees	\$ 1,952,245	\$ -	\$ 1,952,245	\$ 1,293,241	\$ -	\$ 1,293,241
Grants and contributions	1,015,446	1,181,008	2,196,454	1,047,935	690,795	1,738,730
Government support	1,456,551	-	1,456,551	637,721	-	637,721
Special events	985,540	-	985,540	777,015	-	777,015
Less: direct costs of special events	(268,904)	-	(268,904)	(103,281)	-	(103,281)
Donated goods and services	18,752	-	18,752	45,079	-	45,079
Other revenue	326,111	-	326,111	307,259	-	307,259
Return on cash and investments	6,966	-	6,966	551	-	551
Net assets released from restrictions	1,255,905	(1,255,905)	-	555,104	(555,104)	-
Total Public Support and Revenue	6,748,612	(74,897)	6,673,715	4,560,624	135,691	4,696,315
Expenses						
Program services	5,594,750	-	5,594,750	4,145,740	-	4,145,740
Management and general	483,213	-	483,213	480,506	-	480,506
Fundraising	729,678	-	729,678	566,713	-	566,713
Total Expenses	6,807,641	-	6,807,641	5,192,959	-	5,192,959
Change in Net Assets Before Depreciation, Amortization, Interest Expense, and Non-Operating Activities	(59,029)	(74,897)	(133,926)	(632,335)	135,691	(496,644)
Depreciation and amortization	(618,867)	-	(618,867)	(710,607)	-	(710,607)
Interest expense	(18,678)	-	(18,678)	(33,265)	-	(33,265)
Change in Net Assets from Operating Activities	(696,574)	(74,897)	(771,471)	(1,376,207)	135,691	(1,240,516)
Non-Operating Activities						
Employee Retention Credit refunds	-	-	-	1,457,523	-	1,457,523
Capital Campaign contributions	-	-	-	-	4,868	4,868
Capital Campaign expenses	(1,000)	-	(1,000)	(31,253)	-	(31,253)
Gain on sale of assets	-	-	-	1,000	-	1,000
Change in Net Assets from Non-Operating Activities	(1,000)	-	(1,000)	1,427,270	4,868	1,432,138
Total Change in Net Assets	(697,574)	(74,897)	(772,471)	51,063	140,559	191,622
Net Assets, beginning of year	23,018,178	1,011,559	24,029,737	22,967,115	871,000	23,838,115
Net Assets, end of year	\$ 22,320,604	\$ 936,662	\$ 23,257,266	\$ 23,018,178	\$ 1,011,559	\$ 24,029,737

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statement of Functional Expenses

<i>Year Ended December 31, 2022</i>	Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries and wages	\$ 3,688,335	\$ 264,252	\$ 517,115	\$ -	\$ 4,469,702
Employee benefits	353,128	25,300	49,510	-	427,938
Payroll taxes	333,984	23,928	46,826	-	404,738
Total Salaries and Related Expenses	4,375,447	313,480	613,451	-	5,302,378
Program supplies	323,758	-	-	-	323,758
Special events	-	-	268,904	-	268,904
Maintenance and supplies	229,298	25,478	-	-	254,776
Telephone and utilities	169,183	21,148	21,148	-	211,479
Professional fees	35,371	83,525	59,761	1,000	179,657
Lease expense	101,431	-	-	-	101,431
Miscellaneous	51,034	5,737	20,198	-	76,969
Insurance	65,637	8,725	-	-	74,362
Bank fees	70,623	-	-	-	70,623
Staff training and appreciation	49,156	10,000	10,000	-	69,156
Meetings and conferences	51,692	10,000	-	-	61,692
Printing, postage, and computer expenses	40,957	5,120	5,120	-	51,197
Transportation expense	31,163	-	-	-	31,163
Total Expenses before Depreciation, Amortization, and Interest Expense	5,594,750	483,213	998,582	1,000	7,077,545
Depreciation and amortization	588,114	30,753	-	-	618,867
Interest expense	2,509	-	-	16,169	18,678
Total Expenses from Operations	6,185,373	513,966	998,582	17,169	7,715,090
Less: Depreciation, amortization, and interest separately presented on the statement of activities	(590,623)	(30,753)	-	(16,169)	(637,545)
Less: Special event expenses netted with revenues on the statements of activities	-	-	(268,904)	-	(268,904)
Total Expenses per Expense Section of Statement of Activities	\$ 5,594,750	\$ 483,213	\$ 729,678	\$ 1,000	\$ 6,808,641

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statement of Functional Expenses

<i>Year Ended December 31, 2021</i>	Program Services	Management and General	Fundraising	Capital Campaign	Total
Salaries and wages	\$ 2,705,651	\$ 311,918	\$ 419,395	\$ 5,119	\$ 3,442,083
Employee benefits	252,052	29,058	39,070	477	320,657
Payroll taxes	240,741	27,754	37,317	455	306,267
Total Salaries and Related Expenses	3,198,444	368,730	495,782	6,051	4,069,007
Program supplies	249,327	-	-	-	249,327
Special events	-	-	103,281	-	103,281
Maintenance and supplies	235,737	9,259	-	-	244,996
Telephone and utilities	141,531	9,678	2,017	-	153,226
Professional fees	-	78,093	52,062	-	130,155
Miscellaneous	115,439	3,467	14,500	25,000	158,406
Insurance	55,474	8,725	-	-	64,199
Bank fees	86,542	-	-	-	86,542
Staff training and appreciation	12,313	-	-	-	12,313
Meetings and conferences	6,657	-	-	-	6,657
Printing, postage, and computer expenses	40,373	2,554	2,352	202	45,481
Transportation expense	3,903	-	-	-	3,903
Total Expenses before Depreciation, Amortization, and Interest Expense	4,145,740	480,506	669,994	31,253	5,327,493
Depreciation and amortization (of prepaid facility)	680,131	30,476	-	-	710,607
Interest expense	2,736	-	-	30,529	33,265
Total Expenses from Operations	4,828,607	510,982	669,994	61,782	6,071,365
Less: Depreciation, amortization, and interest separately presented on the statement of activities	(682,867)	(30,476)	-	(30,529)	(743,872)
Less: Special event expenses netted with revenues on the statements of activities	-	-	(103,281)	-	(103,281)
Total Expenses per Expense Section of Statement of Activities	\$ 4,145,740	\$ 480,506	\$ 566,713	\$ 31,253	\$ 5,224,212

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Statements of Cash Flows

<i>Year Ended December 31,</i>	2022	2021
Cash Flows from (for) Operating Activities		
Change in net assets	\$ (772,471)	\$ 191,622
Adjustments to reconcile change in net assets to net cash flows from (for) operating activities:		
Promise to give write-offs	-	25,000
Non-cash lease expense	101,079	-
Depreciation and amortization	618,867	710,607
Amortization of pledge discounts	-	(3,178)
Capital campaign contributions	-	(4,868)
Gain on disposal of property and equipment	-	(1,000)
Forgiveness of long-term debt	(630,000)	(10,000)
Changes in assets and liabilities		
Accounts and grants receivable	(547,680)	115,859
Operating promises to give	125,000	125,000
Prepaid expenses and deposits	(73,367)	(40,561)
Accounts payable and accrued liabilities	408,580	(49,480)
Deferred revenue	44,246	120,461
Net Cash Flows from (for) Operating Activities	(725,746)	1,179,462
Cash Flows for Investing Activities		
Purchases of property and equipment	(240,382)	(54,688)
Proceeds on sales of property and equipment	-	1,000
Sales of investments	-	10,266
Purchases of certificate of deposit	(1,003,614)	-
Net Cash Flows for Investing Activities	(1,243,996)	(43,422)
Cash Flows for Financing Activities		
Cash collected from capital campaign promises to give	82,001	87,000
Cash paid for finance lease liabilities	(3,446)	-
Issuance of notes payable	-	630,000
Principal payments on notes payable	(667,574)	(740,557)
Net Cash Flows for Financing Activities	(589,019)	(23,557)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(2,558,761)	1,112,483
Cash, Cash Equivalents, and Restricted Cash, beginning of year	4,449,239	3,336,756
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 1,890,478	\$ 4,449,239
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 18,678	\$ 33,265
Change in classification of prepaid facility use asset to operating right of use asset on adoption of lease standard	\$ 2,853,802	\$ -
Finance right of use asset and lease liability recognized at beginning of lease term	\$ 49,261	\$ -

See accompanying notes to financial statements.

Boys and Girls Clubs of Bellevue

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Operations

Boys and Girls Clubs of Bellevue (the Club) is an independent nonprofit corporation organized to provide recreational, athletic, social, and cultural programs for young people and is affiliated with Boys and Girls Clubs of America. The Club also operates preschool and after-school education programs for youth, and auxiliary classes for parents of members and adults. The Club is located in Bellevue, Washington, and is primarily supported by public and governmental support and service fees.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Club reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Contributions that are received are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Club and/or the passage of time. Support received subject to a donor-imposed time restriction or stipulation for a particular purpose is reclassified to net assets without donor restrictions when donor's time restrictions expire or when the donor's program restrictions are satisfied. In the case of support restricted to acquire long-lived assets, net assets are reclassified to net assets without donor restrictions when the asset is placed into service. Net assets with donor restrictions consist of the following at:

<i>December 31,</i>	2022	2021
Summer camp scholarships	\$ 75,000	\$ 75,000
Time-restricted promises to give for operations	122,078	247,078
Time-restricted capital campaign promises to give	82,228	164,229
Other purpose-restricted funds	657,356	525,252
Total Net Assets with Donor Restrictions	\$ 936,662	\$ 1,011,559

Cash and Cash Equivalents

Cash and cash equivalents consist of general checking, savings, and money market accounts. The Club maintains cash and cash equivalents in bank accounts that exceed federally insured limits at times during the year. The Club has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Boys and Girls Clubs of Bellevue

Notes to Financial Statements

Restricted Cash

Restricted cash is not available to meet general expenditures and is restricted by donors to be used to pay down the Club's debt on the Teen Center.

Cash, cash equivalents, and restricted cash consisted of the following:

<i>Year Ended December 31,</i>	2022	2021
Cash and cash equivalents	\$ 1,878,689	\$ 4,438,023
Restricted cash	11,789	11,216
Total Cash, Cash Equivalents, and Restricted Cash,		
Shown in the statements of cash flows	\$ 1,890,478	\$ 4,449,239

Accounts and Grants Receivable

Receivables are stated at their net realizable value and consist of amounts due from government agencies, corporations, and individuals. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts or grants receivable. There is no allowance for accounts and grants receivable as of December 31, 2022 or 2021.

Promises to Give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At December 31, 2022, two donors accounted for 94% of total combined promises to give. At December 31, 2021, two donors accounted for 95% of total combined promises to give. There is no allowance for promises to give as of December 31, 2022 or 2021.

Property and Equipment

Property and equipment are stated at cost for purchased assets or at fair value on the date of donation for donated assets. Property and equipment that exceed \$1,000 are capitalized as assets. Depreciation is provided using the straight-line method over the estimated useful life. The costs of repairs and maintenance are expensed as incurred.

Boys and Girls Clubs of Bellevue

Notes to Financial Statements

The estimated useful lives of property and equipment are as follows:

Buildings	40 years
Land and building improvements	5-15 years
Furniture and equipment	3-5 years
Vehicles	5 years

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Income Taxes

The Internal Revenue Service has recognized the Club as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an entity described in Section 501(c)(3) and not as a private foundation. In addition, the Club has obtained property tax exemption from the State of Washington.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to both programs and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses, program supplies, in-kind expenses, special events, bank fees, and interest expense are allocated based on an actual cost basis along with estimates of time and effort. Maintenance and supplies, and telephone and utilities are allocated based on square footage. Postage and printing, insurance, miscellaneous, and depreciation are allocated based on an actual cost basis.

Revenue Recognition

Program Service Fees

The Club recognizes program fees under Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASC 606). The core principle of the revenue standard is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Club only applies the five-step model to

Boys and Girls Clubs of Bellevue

Notes to Financial Statements

contracts when it is probable that the Club will collect the consideration it is entitled to in exchange for the goods and services transferred to the customer. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the organization satisfies a performance obligation

The Club's performance obligations are satisfied over time as program services are performed. Most services are performed over a one to three-month time period depending on the type of program offered. Revenue is recorded ratably over the service period. Fees for programs are billed in advance. All payments received prior to the program are deferred and recognized as the program takes place. The Club's contracts have a single performance obligation, with no significant judgments affecting the determination of amount and timing of revenue.

Program fees are determined based on a fee schedule for each type of program. Scholarships are provided for up to 100% of the program fee to participants who meet certain eligibility criteria, including families experiencing homelessness, children in foster care, and families with low incomes. Scholarships are netted against program services fees revenue on the statements of activities. The Club provides scholarships for every fee-based program it offers. For the years ended December 31, 2022 and 2021, the Club provided \$986,927 and \$833,628, respectively, in scholarships for after-school, summer, and athletic programs. Included in scholarships for the years ended December 31, 2022 and 2021, is approximately \$194,170 and \$399,899, respectively, in subsidized programming provided through its three sites located in public housing complexes in Bellevue.

As of December 31, 2022, the Club recorded a contract liability related to the deferred portion of program revenues of \$164,707. As of December 31, 2021, the Club recorded a contract liability related to the deferred portion of program revenues of \$120,461.

Grants and Contributions

Contributions and grants are recorded when unconditionally pledged as with or without donor restriction, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Revenue from government grants and contracts is recorded when the conditions are met, which is generally at the time the qualified expenditure is incurred. At December 31, 2022 and 2021, Boys and Girls Clubs of Bellevue has conditional awards outstanding of \$525,195 and \$0, respectively, for School's Out Washington.

Boys and Girls Clubs of Bellevue

Notes to Financial Statements

Donated Goods and Services

Donated goods and services are recorded as contributions at their estimated fair value at the date of receipt. In accordance with accounting principles generally accepted in the United States of America, the financial statements reflect only those contributed services requiring specific expertise or that are for constructing a fixed asset, which the Club would otherwise need to purchase. Contributed services are recorded at rates that would have been paid for similar services in an arm's-length transaction. Management estimates that during the years ended December 31, 2022 and 2021, respectively, approximately 307 and 410 volunteers donated in excess of 5,180 and 6,900 hours (unaudited) of their time in the Club's program services and in its fundraising programs. The value of this donated time is not reflected in these financial statements because the criteria for recognition under GAAP have not been satisfied.

Donated goods and services recognized in these financial statements are as follows:

December 31,	2022	2021
Goods	\$ 17,252	\$ 44,038
Services	1,500	1,041
Total Donated Goods and Services	\$ 18,752	\$ 45,079

Donated goods and services for the years ended December 31, 2022 and 2021, were composed of legal services, dental services, food, technology devices, sporting event tickets, and goods to support the Club's program services and fundraising programs.

Leases (Effective January 1, 2022)

The Club determines if an arrangement is a lease at inception. Assets and obligations related to finance leases are included in finance lease right-of-use (ROU) assets; finance lease liabilities, current portion; and finance lease liabilities, net of current portion in the statements of financial position.

ROU assets represent the Club's right to use an underlying asset for the lease term and lease liabilities represent the Club's obligation to make lease payments arising from the lease. Finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As the Club's leases do not provide an implicit rate, the discount rate based on the information available at commencement date is used in determining the present value of the lease payments. Certain lease terms may include options to extend or terminate the lease, and these are included when it is reasonably certain that the Club will exercise those options.

The Club's agreements with lease and non-lease components are all accounted for as a single lease component. For leases with an initial term of twelve months or less, the Club elected the exemption from recording right-of-use assets and lease liabilities for all leases that qualify, and records rent expense on a straight-line basis over the lease term.

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Certain leases may include variable payments, which may vary based upon changes in facts or circumstances after the start of the lease. The Club excludes variable payments from lease ROU assets and lease liabilities to the extent not considered fixed, and instead expenses as incurred. Variable lease costs for the year ended December 31, 2022, are immaterial.

Leases (Through December 31, 2021)

Prior to January 1, 2022, for operating leases, rent expense was recognized on a straight-line basis over the term of the lease.

Recent Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-06, *Leases* (Accounting Standards Codification (ASC) Topic 842) and subsequent amendments to the initial guidance (collectively, ASC 842). ASC 842 requires lessees to generally recognize on the statement of financial position, operating and finance lease liabilities and corresponding ROU assets for leases. Lessor accounting is largely unchanged under ASC 842. Entities are required to use a modified retrospective approach on adoption, with the option of applying the requirements of the standard either (1) retrospectively to each prior comparative reporting period presented or (2) retrospectively at the beginning of the period of adoption, through a cumulative-effect adjustment to net assets, if any. The Club elected to use a cumulative-effect adjustment upon the adoption of ASC 842.

The disclosure requirements of ASC 842 are included within Note 7. Adoption of the standard had no impact on the statement of activities or cash flows. Adoption of ASC 842 at January 1, 2022 resulted in a change in classification of prepaid facility to operating right-of-use asset (see Note 3).

During the year ended December 31, 2022, the Club retrospectively adopted the provisions of Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, issued by the FASB. The pronouncement was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 does not change the existing recognition and measurement requirements for contributed nonfinancial assets. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. Adoption of ASU No. 2020-07 did not have an impact on the financial statements of the Club for the years ended December 31, 2022 or 2021.

Reclassifications

Certain items from the prior-year financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no impact on net assets or changes to net assets previously reported.

Subsequent Events

The Club has evaluated subsequent events through the date these financial statements were available to be issued, which was June 14, 2023.

Boys and Girls Clubs of Bellevue

Notes to Financial Statements

2. Liquidity and Availability of Resources

The Club strives to maintain liquid financial assets sufficient to cover six months of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects the Club's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions. Amounts not available include restricted cash and cash equivalents, cash held for other entities, Capital Campaign receivables, and net assets with donor restrictions. Management intends to use the cash held for the Capital Campaign and the Capital Campaign promises to give, as they are collected, to pay down the existing long-term debt.

<i>December 31,</i>	2022	2021
Cash and cash equivalents	\$ 1,890,478	\$ 4,449,239
Certificate of deposit	1,003,614	-
Receivables and promises to give	905,573	564,894
Total Financial Assets	3,799,665	5,014,133
Cash held for capital campaign	(11,789)	(11,216)
Net assets with restrictions	(936,662)	(1,011,559)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 2,851,214	\$ 3,991,358

3. Prepaid Facility Use

In 2004, the Club entered into a 30-year joint operating agreement with the City of Bellevue (the City) for the operation of the South Bellevue Community Center. The Club paid approximately \$1.5 million to the City during the construction of the approximately \$13 million facility and has historically capitalized that amount as a prepaid facility use asset. On adoption of ASC 842 at January 1, 2022, the Club reclassified the prepaid facility use asset to an operating right-of-use asset. The City is the sole owner of the property; however, the Club will receive use of the facilities for its programs for a 30-year term which began January 2006, with the option of two five-year extensions. The Club is responsible for all costs associated with its program areas. The Club recognized \$50,000 of lease expense for both of the years ended December 31, 2022 and 2021, based on a 30-year amortization period.

In 2013, the Club entered into a second 50-year joint operating agreement and ground lease with the City for the operation of the Hidden Valley Sports Park. In December 31, 2015, the Club paid the final installments as specified by the joint operating agreement totaling approximately \$2.5 million. The amounts were historically capitalized as a prepaid facility use asset. On adoption of ASC 842 at January 1, 2022, the Club reclassified the prepaid facility use asset to an operating right-of-use asset. The City is the sole owner of the property; however, the Club received a ground

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Notes to Financial Statements

lease for the use of the property for its programs for a 50-year term beginning April 2013, with the option of two 10-year extensions. The Club recognized \$51,079 of lease expense for both of the years ended December 31, 2022 and 2021, based on a 50-year amortization period, which commenced upon completion of the project in 2015.

As part of the Hidden Valley joint operating agreement, the Club must provide the City with exclusive and priority rights to a minimum of 70 court hours per week for City sponsored programs and activities. The Club is responsible for all costs associated with its program areas.

4. Promises to Give

Promises to give are as follows:

<i>December 31, 2022</i>	Capital Campaign	Operations	Total
Amounts Due in			
Less than one year	\$ 82,228	\$ 122,078	\$ 204,306
One to five years	-	-	-
	82,228	122,078	204,306
Present value discount (2%)	-	-	-
	\$ 82,228	\$ 122,078	\$ 204,306
<i>December 31, 2021</i>	Capital Campaign	Operations	Total
Amounts Due in			
Less than one year	\$ 87,000	\$ 100,000	\$ 187,000
One to five years	82,000	150,000	232,000
	169,000	250,000	419,000
Present value discount (2%)	(4,771)	(2,922)	(7,693)
	\$ 164,229	\$ 247,078	\$ 411,307

All pledges recorded at December 31, 2021, to the capital campaign are considered long term on the statement of financial position regardless of when they are expected to be collected because they will be used to pay long-term debt. All pledges recorded at December 31, 2022, to the capital campaign are classified on the statement of financial position based on when they are expected to be collected as the debt secured by the capital campaign pledges (see Note 6) was paid off during the year ended December 31, 2022.

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5. Property and Equipment

A summary of property and equipment is as follows:

<i>December 31,</i>	2022	2021
Land and land improvements	\$ 1,463,454	\$ 1,463,454
Buildings and improvements	19,761,041	19,711,425
Furniture and equipment	442,645	410,122
Vehicles	142,499	142,499
	21,809,639	21,727,500
Less: Accumulated depreciation	(4,588,356)	(3,973,287)
	17,221,283	17,754,213
Construction in progress	158,243	-
Property and Equipment, net	\$ 17,379,526	\$ 17,754,213

6. Long-Term Debt

In November 2015, the Club issued a note payable to a bank bearing interest at the LIBOR rate plus 2.0%, resulting in a rate of 2.125% at December 31, 2022. Interest-only payments are due monthly, and a lump-sum payment of the outstanding balance was due at maturity in December 2022. The note was secured by Capital Campaign pledges held and a deed of trust on the property at 209 100th Avenue NE, Bellevue, Washington. The balance outstanding on the note was paid off as of December 31, 2022.

In March 2017, the Club entered into a promissory note with two individual holders identified as related parties for a total amount of \$1,007,788, split between the related parties. The note bore interest at a rate of 2.5% and was secured by a deed of trust on the property at 152238 Lake Hills Boulevard, Bellevue, Washington. Interest payments were due periodically at the discretion of the note holders, with any accrued interest being subsumed into the balance of the original note. As of December 31, 2020, the outstanding principal and subsumed interest outstanding on the note was \$1,027,054, split equally between the note holders in the amount of \$513,527. In December 2021, the Club repaid the outstanding principal and interest for the portion of one note holder. For the remaining note holder, the outstanding principal and interest portion were paid off as of December 31, 2022.

In May 2020, the Club received a loan under the Small Business Administration's (SBA) Economic Injury Disaster Loan (EIDL) totaling \$160,000. The proceeds from the note were used to retain staff. The note incurred interest of 2.75% and was unsecured. Monthly principal and interest payments of \$641 are due until maturity in May 2050. A portion of the loan (\$10,000) was forgiven during 2021. The balance outstanding on the note as of December 31, 2022 and 2021, was \$143,924 and \$147,603, respectively.

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In April 2021, the Club received a loan under the SBA Paycheck Protection Program (PPP) totaling \$630,000. The proceeds from the note were used for payroll to retain staff. The note payable incurred interest of 1.0% and was unsecured. The Club applied for and received forgiveness of this PPP loan in April 2022.

Long-term debt consists of the following:

<i>December 31,</i>	2022	2021
SBA EIDL loan	\$ 143,924	\$ 147,603
Note payable with a bank	-	160,001
Note payable to related party	-	503,894
PPP loan	-	630,000
	143,924	1,441,498
Less: Current portion	(3,781)	(729,282)
Long-Term Debt, net of current portion	\$ 140,143	\$ 712,216

Scheduled minimum principal payments for long-term debt are as follows:

<i>December 31,</i>	
2023	\$ 3,781
2024	3,887
2025	3,995
2026	4,106
2027	4,220
Thereafter	123,935
	\$ 143,924

7. Finance Leases

The Club has entered into a long-term lease for office copiers. The lease of the copiers began in 2022 and will continue for 63 months. The Club has not included options to extend or terminate the lease in the calculation of right-of-use assets or lease liabilities as it is not reasonably certain that the Club will exercise these options.

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Cash paid for amounts included in the measurement of finance lease liabilities during the year ended December 31, 2022 was \$3,807. Total finance lease cost is comprised of the following for the year ended:

December 31, 2022

Amortization of right-of-use asset	\$	3,798
Interest on finance lease liability		360
Total Finance Lease Cost	\$	4,158

The weighted average discount rate at December 31, 2022 is 2%; and the weighted-average remaining lease term is 4.58 years for the finance leases.

Maturities of finance lease liabilities are as follows for the years ending December 31:

2023	\$	10,693
2024		10,510
2025		10,323
2026		10,133
2027		8,607
		50,266
Less: Amount representing interest		(4,451)
Total Lease Liability		45,815
Less: Current Portion		9,876
Long-Term Portion	\$	35,939

8. Pension Plan

The Club participates in a defined contribution pension plan (the Plan) under IRC Section 403(b) covering all eligible employees with 24 months or more of service. Contributions to the Plan totaled \$183,886 and \$148,836 for the years ended December 31, 2022 and 2021, respectively. Contributions are made at a rate of 10% of the employee's annual salary.

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9. 501(c) Agencies Trust Reserve

The Club is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies using the reimbursement financing method of meeting obligations under State Unemployment Insurance Statutes. At December 31, 2022 and 2021, the Club had \$139,448 and \$135,933 on deposit with the Trust to fund these obligations, respectively. This deposit is included in prepaid expenses and deposits in the statements of financial position.

10. Commitments

During the year ended December 31, 2015, the Club entered into an agreement with the City in which the City agreed to provide \$1.5 million in funds towards the total cost of the main clubhouse renovation in exchange for future use of the main clubhouse for a period of 30 years after the completion of the main clubhouse renovation, with the option of two five-year extensions. If the Club terminates the agreement, the Club will owe the City a pro rata share of the funds based on the remaining term of the agreement. The Club believes the likelihood to terminate the agreement is remote; as such, no liability has been recognized in these financial statements as of December 31, 2022. The maximum amount that would be returned to the City is approximately \$1,262,500 at December 31, 2022.

11. COVID-19 and Related Government Funding

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

On December 27, 2020, former President Trump signed into law the Consolidated Appropriations Act, 2021 bill, which included additional economic stimulus and COVID-19 outbreak related relief including additional PPP funds and expansion of the Employee Retention Credit.

In April 2021, the Club received a second loan under the SBA PPP totaling \$630,000. The proceeds from the loan were used to retain staff. The Club applied for forgiveness of the PPP loan in April 2022 and received confirmation that forgiveness was granted for the full balance of the loan. Forgiveness of PPP loan is recognized in government support on the statement of activities.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (the American Rescue Plan), which included additional economic stimulus and tax credits, including additional expansion of the Employee Retention Credit.

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During the year ended December 31, 2021, under the CARES Act and the American Rescue Plan Act of 2021, the Club claimed an Employee Retention Credit of \$1,457,523. The Employee Retention Credit is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages (including qualified health plan expenses) an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. In January 2021, this credit increased to 70% of the qualified wages (including qualified health plan expenses) an eligible employer pays to employees. Because the Club's average employee count was less than 101 in 2019 for each employee, qualified wages up to \$10,000 can be counted to determine the amount of the 50% credit from March 12, 2020, to December 31, 2020. As of January 1, 2021, qualified wages up to \$10,000 per quarter can be counted to determine the amount of 70% credit. Of the total \$1,457,523 credit, \$248,261 related to the year ended December 31, 2020 and \$1,209,262 related to the year ended December 31, 2021. The Club continues to examine the impact that COVID-19, the CARES Act, the Consolidated Appropriations Act, and the American Rescue Plan Act may have on its business.